



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
PUBLIC HEALTH COMMITTEE
Wednesday, March 5, 2014**

**SB 35, An Act Concerning Notice Of Acquisitions, Joint Ventures And
Affiliations Of Group Medical Practices**

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 35, An Act Concerning Notice of Acquisitions, Joint Ventures And Affiliations Of Group Medical Practices**. CHA opposes the bill as written.

Before outlining our concerns, it's important to detail the critical role hospitals play in the health and quality of life of our communities. All of our lives have, in some way, been touched by a hospital: through the birth of a child, a life saved by prompt action in an emergency room, or the compassionate end-of-life care for someone we love. Or perhaps a son, daughter, husband, wife, or friend works for, or is a volunteer at, a Connecticut hospital.

Connecticut hospitals treat everyone who comes through their doors 24 hours a day, regardless of ability to pay. In 2012, Connecticut hospitals provided nearly \$225 million in free services for those who could not afford to pay.

Connecticut hospitals are committed to initiatives that improve access to safe, equitable, high-quality care. They are ensuring that safety remains the most important focus—the foundation on which all hospital work is done. Connecticut hospitals launched the first statewide initiative in the country to become high reliability organizations, creating cultures with a relentless focus on safety and a goal of eliminating all preventable harm. This program is saving lives.

Generations of Connecticut families have trusted Connecticut hospitals to provide care we can count on.

SB 35 would require hospitals and physician group practices to meet three new requirements: (1) notify the Office of the Attorney General (and provide copies of filings upon request) when a hospital or group practice makes a filing with the Federal Trade Commission (FTC) or the United States Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act; (2) provide the Office of the Attorney General with written notice of any material change to the business or structure of a physician group practice; and (3) require

hospitals and hospital systems to file annual reports describing the activities of group practices owned or affiliated with such hospitals or hospital systems.

SB 35 as drafted is overly broad in its reach and runs counter to the changing healthcare landscape envisioned by the Patient Protection and Affordable Care Act (Affordable Care Act). The Affordable Care Act facilitates massive changes in the healthcare delivery system, because it has become obvious that the manner in which healthcare has traditionally been delivered is simply not sustainable. This includes a necessary shift toward providing healthcare using different, integrated care delivery platforms that depend upon investment in new technologies, creation of alliances, market contractions, and fresh thinking regarding how to align resources. SB 35 will impede these necessary changes to healthcare, and importantly will create a substantial chilling effect upon affiliations, mergers, and acquisitions that are essential to properly modernize healthcare delivery. This is particularly troublesome because, in light of the dramatic shifts in the market for healthcare, all forces in Connecticut should be pulling together to foster them.

SB 35 as drafted is also unworkable. Since it applies to any material change to a group practice with as few as two physicians, SB 35 could be read to require, among other things, notice to the Attorney General every time a new physician joins or leaves a group practice, since 50% growth in the size of the group practice would likely be material. The change in ownership of a physician group practice is a common occurrence, both in independent and hospital-affiliated group practices, as physicians change where they practice, seek employment, retire, go part-time, or simply choose to work with different partners. It is not clear why such small changes in the marketplace should be subject to advance notice requirements.

Subsection (c) of the bill contains overly broad requirements for filing with the Attorney General. This type of oversight is concerning, and its public policy goal unclear. Beyond the threshold question of why only healthcare providers should be subject to this oversight, subsection (c) is also unworkable in its application because it requires the filing of notice not less than 90 days prior to the effective date of the transaction. It is not clear what is meant by the effective date of the transaction – is it the date an agreement is signed, the closing date, or the date an ACO or joint contracting effort “goes live”? In many cases it will be impossible to comply with the 90-day requirement without significantly retarding the development of these care models. Many of the numerous transactions and relationships covered simply move too fast once there is agreement on them. In addition, it is not clear what kind of affiliation will trigger the reporting requirement. This could be broadly interpreted to include a simple contractual relationship for the provision of services.

Section (e) of the bill creates an unlevel playing field with respect to hospitals and healthcare systems on the one hand, and large physician practices on the other. It is unclear why only hospitals and healthcare systems are required to file annual reports while large group practices, including group practices potentially larger than those affiliated with hospitals, aren't similarly required to report. The bill's annual reporting requirements single out hospital efforts to create new integrated care models and could disadvantage Connecticut hospitals' efforts to respond to the changing healthcare landscape.

Section (d) indicates that the Attorney General will specifically employ his antitrust powers in section 35-42 of the Connecticut General Statutes (the Connecticut Antitrust Act) in connection with this reported information. Though the bill states that only notice is required, it is unclear why SB 35 authorizes the Attorney General to employ his antitrust powers with respect to the reported information. If the goal is to ensure that the submissions will be treated as confidential, and thus exempt from a Freedom of Information Act request, section (d) should be rewritten to remove its inherent ambiguity.

The Affordable Care Act provides for what can only be described as one of the most significant overhauls of the country's healthcare system. Its goals – to expand health coverage, control healthcare costs, and improve the healthcare delivery system and the quality of care provided – necessitate fundamental, structural changes in how healthcare services are delivered at every level, including at hospitals here in Connecticut. It is not yet entirely clear what the structure will look like when all the changes are fully implemented, but one thing is clear – it will look drastically different than what we see today. At a time when the Affordable Care Act and other changes across the continuum of care are changing the way care is delivered and the manner in which physician and physician practices are integrating and coordinating care, this increased regulatory burden will have a decidedly chilling impact.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations at (203) 294-7310.